II. MEDICARE UPPER PAYMENT LIMIT

A. Effective July 1, 2001, non-state owned Government hospitals will receive additional Medicaid reimbursement up to the allowable percentage of each hospital's inpatient Medicare Upper Payment Limit (as defined by the Centers for Medicare and Medicaid Services). The payment will be calculated based on each hospital's inpatient Medicare base rate multiplied by the allowable Medicare Upper Payment Limit percentage, less the Medicaid base rate, times the Medicaid case mix index times the number of Medicaid discharges. In no case will the payment plus the Medicaid reimbursement exceed the funds appropriated by the Colorado General Assembly in the fiscal year for which the payments are made. Additional payments made to Government Outstate Disproportionate Share Hospitals which participate in the Colorado Indigent Care Program as defined in Attachment 4.19A (subsection Disproportionate Share Hospital Adjustments) will reduce the Disproportionate Share Hospital payments to these Government Outstate Disproportionate Share hospitals by an equal amount. Effective July 1, 2003 the payment described in this section is suspended.

B. Colorado Determination of Individual Hospital Inpatient Medicare Upper Payment Limit Addition Reimbursement who Participate in the Colorado Indigent Care Program

1. Effective July 1, 2003 state owned government hospitals, non-state owned government hospitals and privately owned hospitals, which participate in the Colorado Indigent Care Program, will qualify to receive additional Medicaid reimbursement, such that the total of all payments will not exceed the inpatient Medicare Upper Payment Limit (as defined by the Centers for Medicare and Medicaid Services). The additional Medicaid reimbursement will be commonly referred to as the "High-Volume payment", which will be calculated on an annual State Fiscal Year (July 1 through June 30) basis and dispensed in equal quarterly installments.

   As required by federal regulations, there will be three allotments of the High-Volume payment: state owned government hospitals, non-state owned government hospitals and privately owned hospitals. In no case will the High-Volume payment plus the Medicaid reimbursement (as defined in this attachment as a Diagnosis Related Group and/or per diem reimbursement paid under the Medicaid program) and the Pediatric Major Teaching payment exceed any of these allotments. The High-Volume payment is only made if there is available federal financial participation under these allotments after the Medicaid reimbursement (as defined in this attachment as a Diagnosis Related Group and/or per diem reimbursement paid under the Medicaid program) and the Pediatric Major Teaching payment. The High-Volume payment calculation process is outlined as follows:

Available medically indigent charges (as published in the most recently available Colorado Indigent Care Program Annual Report) are converted to medically indigent costs using the most recent provider specific audited cost-to-charge ratio (as calculated from the audited Medicare/Medicaid cost report [CMS 2552]) available as of March 1 each fiscal year. Medically indigent costs are inflated forward to the request budget year using the most recently available Consumer Price Index - Urban Wage Earners, Medical Care Index - Denver as of July.

a. The request budget year medically indigent costs are weighted (increased) by the following factors to measure the relative Medicaid and low-income care to the total care provided. Each provider's specific medically indigent costs are inflated (increased) by the following factors:

   i. Percent of Medicaid (fee-for-service and managed care) days relative to total inpatient days. For state owned government hospitals, this percent is not allowed to exceed one standard deviation above the arithmetic mean of the percent of Medicaid days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of percent of Medicaid days relative to total inpatient days by the number of quantities in the set, such that the set contains all Medicaid providers that provide inpatient hospital services.

   ii. Percent of medically indigent days relative to total inpatient days. For state owned government hospitals, this percent is not allowed to exceed one standard deviation above the arithmetic mean of the percent of medically indigent days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of percent of medically indigent days relative to total inpatient days by the number of quantities in the set, such that the set contains all Colorado Indigent Care Program providers that provide inpatient hospital services.

b. The request budget year provider specific medically indigent costs are weighted (increased) by the following factors, if they qualify, to account for disproportionately high volumes of Medicaid and low-income care provided. If the provider qualifies, the provider specific medically indigent costs are further inflated (increased) by the following factors:

i. Disproportionate Share Hospital Factor. To qualify for the Disproportionate Share Hospital Factor, the provider's percent of Medicaid days relative to total days must equal or exceed one standard deviation above the arithmetic mean of the percent of Medicaid days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of the percent of Medicaid days relative to total inpatient days by the number of quantities in the set, such that the set contains all Medicaid providers that provide inpatient hospital services.

If the provider does qualify, then the Disproportionate Share Hospital Factor will equal the provider's specific percent of Medicaid days relative to total inpatient days. For non-state owned government hospitals and privately owned hospitals, the Disproportionate Share Hospital Factor is equal to the provider's specific percent of Medicaid days relative to total inpatient days doubled. For state owned government hospitals, the Disproportionate Share Hospital Factor is not allowed to exceed one standard deviation above the arithmetic mean of the percent of Medicaid days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of the percent of Medicaid days relative to total inpatient days by the number of quantities in the set, such that the set contains all Medicaid providers that provide inpatient hospital services. If the provider does not qualify, then the Disproportionate Share Hospital Factor would equal one, or have no impact.

ii. Medically Indigent Factor. To qualify for the Medically Indigent Factor, the provider's percent of medically indigent days relative to total inpatient days must equal or exceed the arithmetic mean of the percent of medically indigent days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of the percent of medically indigent days relative to total inpatient days by the number of quantities in the set, such that the set contains all Colorado Indigent Care Program providers that provide inpatient hospital services.

If the provider does qualify, then the Medically Indigent Factor equals the provider specific percent of medically indigent days relative to total inpatient days. For non-state owned government hospitals and privately owned hospitals, the Medically Indigent Factor is equal to the provider's specific percent of medically indigent days relative to total inpatient days doubled. For State Owned facilities, the Medically Indigent Factor is not allowed to exceed one standard deviation above the arithmetic mean of the percent of medically indigent days relative to total inpatient days. The arithmetic mean is mathematically calculated by dividing the sum of the set of the percent of medically indigent days relative to total inpatient days by the number of quantities in the set, such that the set contains all Colorado Indigent Care Program providers that provide inpatient hospital services. If the provider does not qualify, then the Medically Indigent Factor would equal one, or have no impact.

The available allotments under the Medicare Upper Payment Limit are multiplied by the hospital specific Weighted Medically Indigent Costs divided by the summation of all Weighted Medically Indigent Costs for qualified providers in each specific allotment to calculate the High-Volume payment for the specific provider.

For this section, Medicaid days, medically indigent days and total inpatient days will be submitted to the Department directly by the provider by April 30 of each year. If the provider fails to report the requested Medicaid days, medically indigent days or total days to the Department the information will be collected from data published by the Colorado Health and Hospital Association in its most recent annual report available on April 30 of each year.

The term allotment in this section refers to the funds available under the three different Medicare UPL provider categories of state owned government hospitals, non-state owned government hospitals and privately owned hospitals. The funds available for the High-Volume payment under the Medicare Upper Payment Limit are limited by the regulations set by and the federal funds allocated by the Centers for Medicare and Medicaid Services. Payments will be made consistent with the level of funds established and amended by the General Assembly, which are published in the Long Bill and subsequent amendments each year. Rate letters will be distributed to providers qualified to receive the payment each fiscal year and 30 days prior to any adjustment in the payment. Rate letters will document any change in the total funds available, the payment specific to each provider and other relevant figures for the specific provider so that providers may understand and independently calculate their payment.

Total funds available for this payment equal:
State Fiscal Year 2003-04 $47,757,000

2. Effective July 1, 2003, state owned and non-state owned Government hospitals, which participate in the Colorado Indigent Care Program, will qualify to receive additional Medicaid reimbursement, such that the total of all payments will not exceed the inpatient Medicare Upper Payment Limit (as defined by the Centers for Medicare and Medicaid Services). This additional Medicaid reimbursement will be commonly referred to as the "UPL payment" which will be calculated on an annual State Fiscal Year (July 1 through June 30) basis and dispensed as an annual payment prior to June 30 of each state fiscal year.

   As required by federal regulations, there would be two allotments for the UPL payment: state owned government hospitals and non-state owned government hospitals. In no case will the UPL payment plus the Medicaid reimbursement (as defined in this attachment as a Diagnosis Related Group and/or per diem reimbursement paid under the Medicaid program), the High Volume payment and the Pediatric Major Teaching payment exceed any of these allotments. The UPL payment is made only if there is available federal financial participation under these allotments after the Medicaid reimbursement (as defined in this attachment as a Diagnosis Related Group and/or per diem reimbursement paid under the Medicaid program), the High Volume Payment and the Pediatric Major Teaching payment.

   The UPL payment is calculated as the difference between the Medicare UPL provider specific allotment minus the Medicaid reimbursement (as defined in this attachment as a Diagnosis Related Group and/or per diem reimbursement paid under the Medicaid program) and the High Volume payment. The Medicare UPL provider specific allotment is a reasonable estimate of the amount that would be paid for the services furnished by the group of facilities under Medicare Payment Principles. The Medicare UPL provider specific allotment is made on an annual State Fiscal Year (July 1 through June 30) basis.

The term allotment in this section refers to the funds available under the two different Medicare UPL provider categories of state owned government hospitals and non-state owned government hospitals. The funds available for the UPL payment under the Medicare UPL are limited by the regulations set by and the federal funds allocated by the Centers for Medicare and Medicaid Services. Payments will be made consistent with the level of funds established and amended by the General Assembly, which are published in the Long Bill and subsequent amendments each year. Rate letters will be distributed to providers qualified to receive the payment each fiscal year and 30 days prior to any adjustment in the payment. Rate letters will document any change in the total funds available, the payment specific to each provider and other relevant figures for the specific provider so that the provider may understand and independently calculate their payment.

Total funds available for this payment equal:
State Fiscal Year 2003-04 $0

C. [Historical Reference: effective July 1, 2003 this section moved from Attachment 4.19A, Page 5-6, number 7.A. Original TN No. 97-007, superseded TN No. 95-002, Approved 11/5/97, effective 7/1/97]

Teaching Hospital Allocation: Effective October 1, 1994 hospitals shall qualify for additional payment when they meet the criteria for being a Teaching Hospital.

A hospital qualifies a Major Teaching Hospital when its Medicaid days combined with indigent care days (days of care provided under Colorado's Indigent Care Program) equal or exceed 30 percent of their total patient days for the prior state fiscal year, or the most recent year for which data are available.

1. A Major Teaching Hospital is defined as a Colorado hospital which meets the following criteria:

   a. Maintains a minimum of 110 total Intern and Resident F.T.E.'s.

   b. Maintains a minimum ratio of .30 Intern and Resident F.T.E.'s per licensed bed.

   c. Meets the Department's eligibility requirement for disproportionate share payment.

2. The additional major teaching payment is calculated as follows:
MTHR = ((ICD+MD)/TPD) x MIAF

Where:

MTHR = Major Teaching Hospital Rate
ICD =Indigent Care Days
MD = Medicaid Days
TPD =Total Patient Days
MIAF = Medically Indigent Adjustment Factor

To further clarify this formula the State describes the MIAF as follows:

It is the State's intention to pay no hospital a Major Teaching Hospital Allocation that would cause a qualifying hospital to receive an average payment per Medicaid discharge which would exceed the facility's Medicare payment. The MIAF is a number which when multiplied by the numerical quotient derived from ((MD+ICD)/TPD) results in a rate which permits the State to pay a Major Teaching Hospital Allocation at a payment amount which, by design, will not exceed each individual facility's Medicare payment (applied by the State as an individual facility upper limit). The MIAF is derived from calculation of the amount determined by subtracting the average Medicaid payment per case from the average Medicare payment per case for the calculation period, and multiplying this amount by the number of Medicaid patient discharges occurring during that period.

The MIAF is based on the facility's Intern and Residents FTEs:

Intern and Resident FTEs	MIAF - 7/1/93 to 6/30/94	7/1/94 to 6/30/95
110 TO 150	.7209	.5683
151 TO 190	.3301	.9352

3. Payment calculation for hospitals which qualify for the additional Major Teaching Hospital payment shall be as follows:

a. Based upon data available at the beginning of each fiscal year, Colorado shall determine each hospital's ICD, MD and TPD. ICD will be extracted from the most recent available Colorado Indigent Care Program Interim Report to the Colorado General Assembly, submitted by the University of Colorado Health Sciences Center. MD and TPD will be extracted from the most recent available Colorado Hospital Association annual Data Bank information subject to validation through use of data from the Department and the Colorado Foundation for Medical Care. In addition, each hospital's Medicaid payment for the previous fiscal year shall be estimated.

b. Multiply the Medicaid payment by the calculated MTHR to determine the additional major teaching hospital payment.

c. Payment shall be made monthly. [End of Historical Reference]

Effective July 1, 2003 the Major Teaching Hospital payment described in this section is suspended.

D. Effective July 1, 2003 state owned government hospitals, non-state owned government hospitals and privately owned hospitals, when they meet the criteria for being a Pediatric Major Teaching Hospital will qualify to receive additional Medicaid reimbursement, such that the total of all payments will not exceed the inpatient Medicare Upper Payment Limit (as defined by the Centers for Medicare and Medicaid Services). The additional Medicaid reimbursement will be commonly referred to as the "Pediatric Major Teaching Hospital payment", which will be calculated on an annual State Fiscal Year (July 1 through June 30) basis and dispensed in equal quarterly installments.

As required by federal regulations, there will be three allotments of the Pediatric Major Teaching Hospital payment: state owned government hospitals, non-state owned government hospitals and privately owned hospitals. In no case will the Pediatric Major Teaching payment plus the Medicaid reimbursement (as defined in this attachment as a Diagnosis Related Group and/or per diem reimbursement paid under the Medicaid program) exceed any of these allotments. The Pediatric Major Teaching payment is only made if there is available federal financial participation under these allotments after the Medicaid reimbursement (as defined in this attachment as a Diagnosis Related Group and/or per diem reimbursement paid under the Medicaid program.)

On an annual State Fiscal Year (July 1 through June 30) basis, those hospitals that qualify for a Major Pediatric Teaching Hospital payment will be determined. The determination will be made prior to the beginning of each State Fiscal Year. A Major Pediatric Teaching Hospital is defined as a hospital that meets the following criteria:

1. Participates in the Colorado Indigent Care Program; and

2. The hospitals Medicaid days combined with indigent care days (days of care provided under Colorado's Indigent Care Program) equal or exceed 30 percent of their total patient days for the prior state fiscal year, or the most recent year for which data are available; and

3. Has a percentage of Medicaid days relative to total days that exceed one standard deviation above the mean for the prior state fiscal year, or the most recent year for which data are available; and

4. Maintains a minimum of 110 total Intern and Resident F.T.E.'s; and

5. Maintains a minimum ratio of .30 Intern and Resident F.T.E.'s per licensed bed; and

6. Qualified as a Pediatric Specialty Hospital under the Medicaid Program, such that the hospital provides care exclusively to pediatric populations.

The Pediatric Major Teaching payment is distributed equally to all qualified providers. The funds available for the Pediatric Major Teaching payment under the Medicare Upper Payment Limit are limited by the regulations set by and the federal funds allocated by the Centers for Medicare and Medicaid Services. Payments will be made consistent with the level of funds established and amended by the General Assembly, which are published in the Long Bill and subsequent amendments each year. Rate letters will be distributed to providers qualified to receive the payment each fiscal year and 30 days prior to any adjustment in the payment. Rate letters will document any change in the total funds available, the payment specific to each provider and other relevant figures for the specific provider so that providers may understand and independently calculate their payment.

Total funds available for this payment equal:

State Fiscal Year 2003-04 $6,119,800